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Travelers appreciates the opportunity to provide comments to the Legislative Program Review and Investigations Committee concerning its ongoing study entitled "Assessment Methodology and Process to Fund the Connecticut Insurance Department."

We support the current funding structure of the Department of Insurance. The current structure, an assessment levied on Connecticut domestic companies, serves the purpose of funding the Department adequately while protecting the state's domestic insurers.

Travelers is a leading property and casualty insurer in the country and here in Connecticut. We have more than 30,000 employees, 7,000 of whom are in Connecticut and the majority of our underwriting companies are domiciled here in Connecticut, making us one of the largest domestics in the state.

The Department's current funding mechanism is structured to protect domestic insurers from retaliatory taxes.

A retaliatory tax is computed by comparing taxes, assessments and fees imposed by an insurer's domicile state against the taxes, assessments and fees imposed by the taxing state. It is not limited to the premium tax. Retaliatory tax laws exist in all states, except Hawaii, and have been upheld by the US Supreme Court. If the Department were to assess non-domestic insurers, the assessment would likely be considered by other states in computing the retaliatory tax due from Connecticut domestic companies.

Any proposed increase in the taxes, fees or assessments imposed on non-domestic insurers doing business in Connecticut could unintentionally increase the retaliatory tax paid by Connecticut domestic insurers in other states. If the base was expanded to non-domestic insurers, we estimate that Travelers would pay significantly more in retaliatory taxes than it would save in paying the Connecticut assessment.

This is not a new concept to the Connecticut Legislature. In prior years, Connecticut lawmakers have taken steps to protect the domestic industry

from retaliatory taxes. Such steps have included; lowering the premium tax rate to 1.75%, imposing a higher agent appointment fee on domestic insurers than on non-domestic insurers and only assessing domestic insurers to fund the activities of the Insurance Department.

There is no national model for funding the insurance department. What is important is not whether there is a national model, but rather whether the approach used protects the state's domestic industry. The current funding mechanism in Connecticut does just that and we strongly urge that it not be disturbed.

We welcome the opportunity to provide PRI staff with additional information and comment as they work to completion of the study.

Thank you for your consideration.